

***Cash Flow Management and Earnings Sustainability in Member-Based
Financial Institutions: Evidence from Indonesia***

**Manajemen Arus Kas dan Keberlanjutan Laba pada Lembaga Keuangan
Berbasis Anggota: Bukti Empiris dari Indonesia**

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ABSTRACT

This study analyzes cash flows and earnings quality at KSP Karya Abadi in Pemaron Village over the 2021–2023 period. The research employs a descriptive quantitative method using a financial statement approach, focusing on income statements and cash flow reports. The results indicate that although net income fluctuated—declining in 2022 and rising significantly in 2023—the efficiency of earnings, as measured by the Net Profit Margin (NPM), decreased from 62.8% in 2021 to 57.1% in 2022 and remained stagnant in 2023. Operating cash flows stayed positive throughout the three years, reflecting the cooperative's ability to generate cash from its core operations. Earnings quality, assessed by comparing operating cash flows to net income, was categorized as very good in 2021 and 2022, and moderately good in 2023. These findings highlight the importance of evaluating not only the nominal value of earnings but also their quality and sustainability over time.

Keywords: Cash Flow, Net Income, Earnings Quality, Net Profit Margin, Cooperative

ABSTRAK

Penelitian ini menganalisis arus kas dan kualitas laba pada KSP Karya Abadi di Desa Pemaron selama periode 2021–2023. Penelitian ini menggunakan metode deskriptif kuantitatif dengan pendekatan laporan keuangan yang berfokus pada laporan laba rugi dan laporan arus kas. Hasil penelitian menunjukkan bahwa meskipun laba bersih berfluktuasi—mengalami penurunan pada tahun 2022 dan meningkat signifikan pada tahun 2023—efisiensi laba yang diukur melalui Net Profit Margin (NPM) menurun dari 62,8% pada tahun 2021 menjadi 57,1% pada tahun 2022 dan tetap stagnan pada tahun 2023. Arus kas operasi tetap positif selama tiga tahun tersebut, mencerminkan kemampuan koperasi dalam menghasilkan kas dari kegiatan usahanya. Kualitas laba, yang diukur dengan membandingkan arus kas operasi terhadap laba bersih, dikategorikan sangat baik pada tahun 2021 dan 2022, serta cukup baik pada tahun 2023. Temuan ini menekankan pentingnya mengevaluasi tidak hanya nilai nominal laba, tetapi juga kualitas dan keberlanjutannya dari waktu ke waktu.

Kata Kunci: Arus Kas, Laba Bersih, Kualitas Laba, Net Profit Margin, Koperasi.

1. Introduction

Cash flow is one of the most essential indicators for evaluating an entity's financial health, including Savings and Loan Cooperatives (KSP). The cash flow statement provides critical insights into an organization's ability to generate cash from operating, investing, and financing activities, which serves as a foundation for assessing business sustainability. According to Ball and Nikolaev (2022), strong cash flow analysis is fundamental in predicting future financial performance and provides a more reliable assessment of business continuity than earnings alone. Similarly, Casey and Ruch (2024) emphasize that positive operating cash flow indicates an organization's financial independence, while negative operating cash flow reflects liquidity problems that may threaten its sustainability. Thus, cash flow analysis is crucial for understanding financial strength, efficiency, and decision-making capacity in cooperative institutions.

In Indonesia, many cooperatives face challenges in managing their cash flows, particularly in balancing inflows and outflows. Mismanagement of investment funds and credit activities often leads to short-term liquidity gaps, affecting financial stability. Pimentel and Malacrida (2020) find that inaccurate cash flow management can weaken long-term performance and the ability to meet obligations. Likewise, Cheng, Li, and Zhang (2020) show that opacity in operating cash flows increases financial risks and reduces the credibility of financial reporting. These findings indicate that the lack of financial literacy and analytical tools within cooperatives contributes to inefficiency in managing cash. Consequently, in-depth analysis of cash flow is essential to ensure cooperatives can maintain financial balance and support sustainable growth.

Earnings quality is another critical dimension that is closely related to cash flow performance. Beyer, Guttman, and Marinovic (2019) define high-quality earnings as those that accurately reflect a firm's economic reality and are free from earnings management practices. Dechow (2010) emphasizes that earnings quality is high when reported earnings strongly predict future cash flows. In cooperative contexts, this implies that profits should primarily originate from core business activities rather than nonrecurring gains. Kang and Kim (2019) further highlight that poor earnings quality increases the risk of future financial distress, especially when operating cash flows are weak. Therefore, examining both cash flow and earnings together provides a more comprehensive understanding of a cooperative's financial sustainability.

KSP Karya Abadi, a Savings and Loan Cooperative located in Pemaron Village, exemplifies the dynamics of cooperative financial performance. Based on its financial statements from 2021 to 2023, total revenue increased from IDR 485,160,000 to IDR 608,916,000, and net profit rose from IDR 304,693,000 to IDR 347,869,000. This growth indicates that the cooperative's profit improvement is driven by efficient operational management and sustainable business activities. These findings are consistent with Syahputra and Arifin (2021), who state that high-quality earnings reflect genuine economic strength when supported by steady operating cash flows. However, despite positive trends in revenue and net profit, further analysis is needed to determine whether these improvements are accompanied by healthy and sustainable cash flows, ensuring the cooperative's long-term financial stability.

A significant research gap exists in the literature on the relationship between cash flows and earnings quality in cooperatives. Most prior studies, such as Farshadfar and Monem (2019) and Andrén and Jankensgård (2020), have focused on large corporations, examining how investment-cash flow sensitivity and accrual characteristics affect performance. However, limited research has explored how these dynamics operate in cooperatives, which rely on member-based financial models. Nallareddy, Sethuraman, and Venkatachalam (2020) also find that changes in accrual properties and operating environments influence the predictability of cash flows, yet these findings are rarely extended to micro-level entities like KSPs. Therefore,

empirical examination of cash flow behavior and earnings quality in cooperatives remains an open area for exploration.

The urgency of this study arises from the growing need for accountability and transparency in Indonesia's cooperative financial management. According to Francis, LaFond, Olsson, and Schipper (2021), higher earnings quality enhances market trust and stakeholder confidence in financial reporting. For cooperatives, this translates to stronger member trust and greater institutional credibility. Hasan and Habib (2021) note that during an organization's growth stage, poor earnings quality or unmanaged earnings manipulation can distort cash flows and threaten long-term liquidity. Thus, understanding how earnings and cash flows interact is vital not only for internal management but also for improving governance mechanisms and ensuring financial resilience within cooperative institutions.

The novelty of this study lies in its focus on the empirical relationship between earnings and operating cash flows within a local cooperative context. Unlike prior studies that concentrate on corporations or capital markets (Guay, Taylor, & Xiao, 2018; Aljifri & Elrazaz, 2024), this research examines a member-based financial institution to reveal how operating efficiency and cash management practices influence earnings quality. Additionally, Meliá-Martí et al. (2024) highlight that cooperatives play a crucial role as social innovation agents that promote financial inclusion and community-based economic resilience. Therefore, analyzing the earnings quality of KSP Karya Abadi provides both academic and practical contributions to cooperative development and sustainability.

In line with these issues, this study aims to analyze cash flows and earnings quality at KSP Karya Abadi in Pemaron Village during the 2021–2023 period using a descriptive quantitative approach based on financial statement analysis. The findings are expected to offer a comprehensive understanding of how reported earnings correspond to actual cash-generating activities and reflect the cooperative's financial sustainability. Consistent with Siladjaja and Jasman (2024) and Fassas (2023), this study contributes to the broader accounting literature by providing new insights into the determinants of earnings quality in small-scale, member-based financial entities. Ultimately, this research seeks to strengthen financial transparency, promote efficient cash management, and enhance the sustainability of cooperative institutions in Indonesia.

2. Methods

This study employs a descriptive quantitative approach aimed at analyzing cash flow in the financial statements of the Savings and Loan Cooperative (KSP) Karya Abadi in Pemaron Village, Buleleng District, Bali. The location was selected purposively because this cooperative has complete financial records, is relevant for analysis, and strategically supports the local community's economy. The types of data used consist of quantitative and descriptive data. Quantitative data include figures from the cash flow statement, balance sheet, and income statement, which are analyzed to identify the condition, patterns, and cash flow trends. Meanwhile, descriptive data were obtained from interviews and observations, providing context for the figures presented in the financial statements.

The data sources for this study include both primary and secondary data. Primary data were obtained through interviews with the financial managers and management of KSP Karya Abadi and direct observations of the cooperative's operational activities. Secondary data came from official financial reports of the cooperative during the research period. Data was collected using three main techniques: documentation, semi-structured interviews, and direct observation. Documentation was used to obtain formally recorded financial data; interviews were conducted to gather in-depth information regarding management practices and factors affecting cash flow; observation was carried out to directly understand cash flow management practices in the cooperative's daily activities. Data analysis was conducted using a descriptive

quantitative method, outlining the condition of cash flow based on three main activities: operating, investing, and financing. This approach was used to provide an objective and measurable overview of the cooperative's financial position and performance, so that the research findings can offer relevant information for managerial decision-making and the cooperative's future development.

3. Results and Discussion

Cash Flow Analysis of KSP Karya Abadi

An analysis of cash flow based on three main activities—operating, investing, and financing—is carried out to determine the extent to which the cooperative's financial performance affects earnings quality.

Cash Flows from Operating Activities

Cash flow from operating activities reflects how much the cooperative can generate cash from its core operations, such as loan disbursement, collection of members' savings, and trading cooperative goods. This analysis is crucial because it shows the profit quality—whether the reported profit is supported by incoming cash or merely accounting figures.

Table 1. Cash Flow Data from Operating Activities (2021–2023)

Year	Operational Income	Operational Expenses	Operating Cash Flow
2021	IDR 580.000.000	IDR 250.000.000	IDR 330.000.000
2022	IDR 600.000.000	IDR 290.000.000	IDR 310.000.000
2023	IDR 650.000.000	IDR 310.000.000	IDR 340.000.000

Source: KSP Karya Abadi 2025

Operating Cash Flow = Operational Income – Operational Expenses

Detailed Calculation:

Year 2021:

$\text{IDR}580,000,000 - \text{IDR}250,000,000 = \text{IDR}330,000,000$

Year 2022:

$\text{IDR}600,000,000 - \text{IDR}290,000,000 = \text{IDR}310,000,000$

Year 2023:

$\text{IDR}650,000,000 - \text{IDR}310,000,000 = \text{IDR}340,000,000$

KSP Karya Abadi's cash flow from operating activities was healthy and stable from 2021 to 2023. This indicates that the cooperative can generate cash from its core activities without relying on loans or asset sales.

Cash Flow from Investing Activities

Cash flow from investing activities reflects the use or receipt of cash related to the purchase and sale of fixed assets, equity participation, or other long-term investments. In a cooperative context, investing activities usually include purchasing office equipment, operational vehicles, or developing other productive assets. The investment cash flow data of KSP Karya Abadi during 2021–2023 are as follows:

Table 2. Investment Cash Flow Data of KSP Karya Abadi During 2021–2023

Year	Fixed Asset Purchases	Asset Sales	Cash Flow from Investing Activities
2021	IDR 120.000.000	IDR 10.000.000	IDR (110.000.000)
2022	IDR 100.000.000	IDR 0	IDR (100.000.000)
2023	IDR 90.000.000	IDR 20.000.000	IDR (70.000.000)

Source: KSP Karya Abadi 2025

Investment Cash Flow = Asset Sales – Fixed Asset Purchases

Detailed Calculation:

Year 2021:

IDR10,000,000 – IDR120,000,000 = IDR(110,000,000)

Year 2022:

IDR0 – IDR100,000,000 = IDR(100,000,000)

Year 2023:

IDR20,000,000 – IDR90,000,000 = IDR(70,000,000)

Cash flow from investing activities is consistently negative, which is ordinary and reasonable when caused by the purchase of productive assets, as it reflects efforts toward long-term business development. The investment cash flow of KSP Karya Abadi from 2021 to 2023 shows a consistent pattern in the development of fixed assets, although the amount decreased each year. This reflects careful and well-planned long-term financial management and the ability to finance investments from operating results. In 2023, investment efficiency improved by selling assets, which helped reduce cash outflows. Overall, the cooperative's investing activities support long-term business growth and remain within reasonable limits, as they do not lead to a harmful cash deficit.

Cash Flow from Financing Activities

Cash flow from financing activities reflects changes in cash arising from the cooperative's external financing activities, such as receipts from members' savings, loans from third parties (banks or other financial institutions), and repayment of long-term obligations. This component shows how much the cooperative relies on external funds to run its operations.

Table 3. Cash Flow Data from Financing Activities (2021–2023)

Year	Loan/Capital Receipts	Loan Repayments	Financing Cash Flow
2021	IDR 150.000.000	IDR 50.000.000	IDR 100.000.000
2022	IDR 100.000.000	IDR 80.000.000	IDR 20.000.000
2023	IDR 70.000.000	IDR 90.000.000	IDR (20.000.000)

Source: KSP Karya Abadi 2025

Financing Cash Flow = Funding Receipts – Loan Repayments

Detailed Calculation:

Year 2021:

IDR150,000,000 – IDR50,000,000 = IDR100,000,000

Year 2022:

IDR100,000,000 – IDR80,000,000 = IDR20,000,000

Year 2023:

IDR70,000,000 – IDR90,000,000 = IDR (20,000,000)

During the period 2021–2023, cash flow from financing activities showed a declining trend and even turned negative, reflecting a decrease in the cooperative's reliance on external funds. This can be interpreted as KSP Karya Abadi's effort to strengthen financial independence by relying on cash generated from operations. In 2023, the cooperative was able to repay more loans than it received, supported by stable operating cash flow and decreasing investment expenditures. This indicates healthy cash management, where the cooperative no longer increases its debt but instead focuses on repayment.

The following is a cash flow analysis graph for KSP Karya Abadi which shows the movement of operating, investment and financing cash flows:

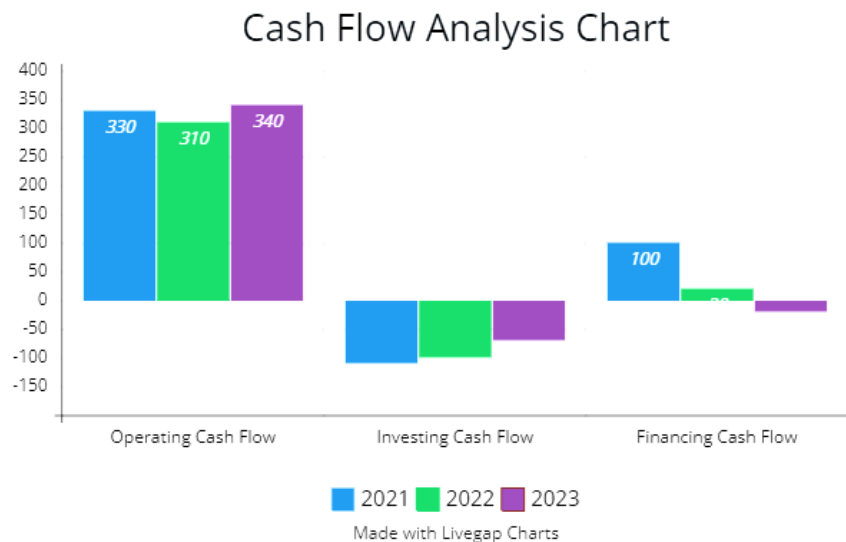


Figure 1. Cash Flow Analysis Results

Recapitulation of Net Cash Flow

The recapitulation of net cash flow is a combination of all the main activities in the cash flow statement, namely:

1. Operating Activities
2. Investing Activities
3. Financing Activities

By summing these three components, we can determine the total increase or decrease in net cash during one accounting period. A positive net cash flow indicates that cash inflows exceed cash outflows, while a negative net cash flow indicates a cash deficit. The following is a summary of cash flows from each activity during 2021 to 2023, based on the data from the previous subsections:

Table 4. Complete Recapitulation of Net Cash Flow

Year	Operating Cash Flow	Investing Cash Flow	Financing Cash Flow	Net Cash Flow
2021	IDR 330.000.000	(IDR 110.000.000)	IDR 100.000.000	IDR 320.000.000
2022	IDR 310.000.000	(IDR 100.000.000)	IDR 20.000.000	IDR 230.000.000
2023	IDR 340.000.000	(IDR 70.000.000)	(IDR 20.000.000)	IDR 250.000.000

Source: KSP Karya Abadi 2025

Detailed Calculation:

Year 2021:

$$\text{IDR}330,000,000 + (\text{IDR}-110,000,000) + \text{IDR}100,000,000 = \text{IDR}320,000,000$$

Year 2022:

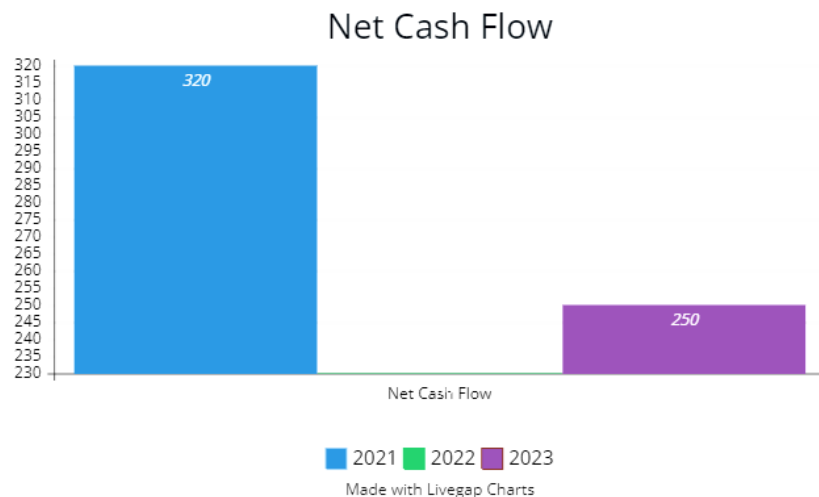
$$\text{IDR}310,000,000 + (\text{IDR}-100,000,000) + \text{IDR}20,000,000 = \text{IDR}230,000,000$$

Year 2023:

$$\text{IDR}340,000,000 + (\text{IDR}-70,000,000) + (\text{IDR}-20,000,000) = \text{IDR}250,000,000$$

The calculation shows the net cash flow of KSP Karya Abadi during 2021–2023, derived from operating, investing, and financing activities. For example, in 2021: IDR330,000,000 (operating) + (–IDR110,000,000) (investing) + IDR100,000,000 (financing) = IDR320,000,000. The positive results over three consecutive years indicate that the cooperative has healthy liquidity, efficient cash management, and the ability to maintain a balance between inflows and outflows.

The following is a graph of net cash flow at KSP Karya Abadi:

**Figure 2. Net Cash Flow**

Analysis of the Relationship Between Cash Flow and Earnings Quality

Earnings quality refers to the extent to which the profit reported in financial statements truly reflects the cash generated from an entity's operating activities. High-quality earnings are significant in nominal value and stable, sustainable, and supported by real cash flows rather than the result of accounting manipulation. Operating cash flow is often used as a primary indicator of earnings quality because it distinguishes accounting profit from actual cash. The cash flow statement helps assess whether earnings reflect real economic strength. High-quality earnings are those derived from a company's core operating activities and supported by real cash flows.

If a company records high net income but its operating cash flow is low or negative, this may indicate that the earnings are manipulative or unsustainable. The relationship is clear: the greater the operating cash flow supporting earnings, the higher the earnings quality. Earnings quality analysis is essential for assessing the sustainability of financial performance, especially since cooperatives must maintain liquidity to serve members and provide sustainable loans. One of the most common methods to evaluate earnings quality is:

Earnings Quality (EQ) =

IntelDRretation :

EQ >1 : Profit is fully supported by cash inflows (highly qualified).

EQ = 1 : Profit is fully reflected in cash.

EQ <1 : Profit is not yet fully supported by cash inflows.

The following are the operating cash flow and net profit data of KSP Karya Abadi during 2021–2023:

Table 5. Operating Cash Flow and Net Profit Data of KSP Karya Abadi

Year	Net Profit	Operating Cash Flow
2021	IDR 304.693.000	IDR 330.000.000
2022	IDR 295.933.000	IDR 310.000.000
2023	IDR 347.869.000	IDR 340.000.000

Source: KSP Karya Abadi 2025

Year 2021:

EQ 2021 = = 1.08

Year 2022:

EQ 2022 = = 1.05

Year 2023:

EQ 2023 = = 0.98

According to Wild, Subramanyam, and Halsey (2016), cash-based ratios, such as operating cash flow to net income, are used to evaluate how net income reflects the company's liquidity and cash-generating ability. The general standard interpretation of this ratio is as follows:

Table 6. General Standard Interpretation of the Ratio

Earnings Quality Ratio Value	Category	General Interpretation
> 1,00	Very Good	Operating cash flow exceeds net profit; profit is considered conservative and reliable.
0,85 – 1,00	Good/Fairly Good	Cash still supports profit despite slight deviations; it is still considered reasonable.
0,60 – 0,84	Poor	Part of the profit has not been realized in cash; further analysis is needed.

< 0,60	Bad	Profit is essentially “illusory”; it is not supported by operating cash flow.
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Based on the ratio standards above, Kieso, Weygandt, and Warfield (2019:1146) state that a slight difference between net income and operating cash flow is still considered normal, but a ratio below 1 in the long term may indicate potential liquidity problems or accrual manipulation. From the calculated ratio, the results are as follows:

Year 2021 – Ratio 1.08 (Excellent)

This shows that cash flow from operating activities exceeds net income. According to the theory, this indicates very high earnings quality because the reported profit is truly supported by real cash, not just accounting profit.

Year 2022 – Ratio 1.05 (Good)

This still shows strong cash support for earnings. According to theoretical standards, the slight difference between profit and cash is still considered reasonable and does not raise significant concerns.

Year 2023 – Ratio 0.98 (Fair)

Although net income increased, cash flow was slightly lower than profit. Based on theory, this is still within the reasonable category but serves as an early signal to monitor future earnings' stability and sustainability, as there may be an increase in receivables or a decrease in cash.

Solutions based on the operating cash flow to net income ratio over the past three years:

Year 2021 – Ratio 1.08 (Excellent)

Solution: Maintain the current cash and receivables management policies, which have worked well. By prioritizing member collections, the cooperative can sustain disciplined accounting, recording, and control procedures and maintain cash flow.

Year 2022 – Ratio 1.05 (Good)

Solution: Stay alert to potential increases in non-cash accounts such as member receivables. It is recommended that the monitoring of loan repayments be strengthened and operational efficiency maintained to keep the ratio above the ideal level (>1.00).

Discussion

The analysis of KSP Karya Abadi's operating cash flows and net profit during 2021–2023 demonstrates consistent financial performance supported by strong cash flow management. The calculated earnings quality (EQ) ratios—1.08 in 2021, 1.05 in 2022, and 0.98 in 2023—indicate that the cooperative's profits were largely backed by actual cash inflows. According to Wild, Subramanyam, and Halsey (2016), the operating cash flow to net income ratio serves as an indicator of how well earnings represent liquidity and cash-generating ability. The ratio standard proposed by Kieso, Weygandt, and Warfield (2019) further classifies a value greater than 1.00 as excellent, meaning reported earnings are conservative and fully supported by real cash transactions. Thus, the findings suggest that KSP Karya Abadi's reported income is credible and reflective of strong cash-based operations.

In 2021, the EQ ratio of 1.08 illustrates that operating cash flow exceeded net income, implying highly conservative earnings quality. This aligns with Dechow (2010) and Beyer, Guttman, and Marinovic (2019), who note that when operating cash flow surpasses reported profit, it indicates minimal accrual distortion and a high degree of earnings reliability. This pattern suggests that the cooperative effectively converted revenue into cash, maintaining prudent accounting policies and efficient member loan collection. Ball and Nikolaev (2022) and Casey and Ruch (2024) emphasize that operating cash flow is a stronger predictor of future financial performance than earnings alone, reinforcing the view that KSP Karya Abadi's 2021 financial results reflect sustainable operations.

In 2022, the EQ ratio slightly declined to 1.05, which still falls within the “good” category. According to Andrén and Jankensgård (2020), such a minor difference between cash flow and earnings remains acceptable, as it may stem from timing differences in revenue recognition or payment collection. This result is consistent with Farshadfar and Monem (2019), who found that the relationship between accruals and future cash flows remains stable when earnings quality is maintained. However, Cheng, Li, and Zhang (2020) caution that prolonged decreases in cash flow relative to earnings could signal rising operational risk if not managed appropriately. Therefore, while 2022 still reflects sound earnings quality, proactive monitoring of receivables and cash management is essential to sustain liquidity.

By 2023, the EQ ratio declined slightly to 0.98, indicating that net income marginally exceeded operating cash flow. Although this remains within the “fair” category, Kang and Kim (2019) argue that such a situation may point to higher accrual reliance and should be monitored for early signs of earnings management. This interpretation aligns with Christensen, D’Adduzio, and Nelson (2023), who highlight that fluctuations in accrual quality over time often affect the stability of earnings. A ratio below one does not immediately indicate manipulation, but Francis, LaFond, Olsson, and Schipper (2021) note that consistent divergence between cash flow and earnings can weaken stakeholders’ confidence in reported results. Therefore, while KSP Karya Abadi’s 2023 financials remain acceptable, management should strengthen its control over credit risk and collection efficiency to prevent potential liquidity pressure.

The pattern observed across the three years also supports broader theoretical perspectives on earnings quality. Guay, Taylor, and Xiao (2018) demonstrated that the link between accounting earnings and cash flows provides a fundamental test of reporting credibility, as earnings that fail to translate into cash eventually erode firm value. Similarly, Hasan and Habib (2021) found that firms at later stages of their life cycle often face increasing challenges in sustaining cash-based earnings due to growing working capital needs. For cooperatives like KSP Karya Abadi, which depend on member repayments and community-based financing, maintaining high-quality earnings is critical for long-term stability. This finding is consistent with Meliá-Martí, Mozas-Moral, Bernal-Jurado, and Fernández-Uclés (2024), who argue that cooperatives must balance profitability with efficiency to preserve their social and financial missions.

In addition, the results align with Aljifri and Elrazaz (2024), who emphasize that entities demonstrating a strong alignment between cash flow and profit are less likely to engage in earnings management and more likely to achieve sustainable growth. Likewise, Pimentel and Malacrida (2020) show that consistent synchronization between operating cash flow and profit improves long-term performance and financial resilience. The cooperative’s stability across the study period demonstrates prudent management of accruals and cash collections, echoing Nallareddy, Sethuraman, and Venkatachalam (2020), who found that maintaining predictable cash flow patterns enhances investment decision accuracy and operational performance.

Furthermore, these findings resonate with Fassas (2023), who reported that higher earnings quality contributes positively to firm valuation and investor confidence. Although KSP Karya Abadi operates in a cooperative rather than a capital-market environment, similar logic applies: member trust and institutional credibility depend on transparent, cash-supported financial reporting. Siladjaja and Jasman (2024) also highlight that rational decision-making in financial management relies on high-quality earnings that truly represent economic reality. The cooperative’s near-unity EQ ratios over three years confirm that its profits are not inflated by aggressive accounting practices but are grounded in genuine operational performance.

Finally, maintaining a balance between cash flow and earnings aligns with Sohn (2018), who stresses that accounting conservatism contributes to better earnings quality and reduces the cost of capital by signaling reliability. As Li, Wang, and Zhu (2022) point out, firms that manage their operating cash flows effectively can better align management incentives and

performance targets, minimizing the temptation for short-term earnings manipulation. For KSP Karya Abadi, continuous monitoring of its cash flow-to-earnings ratio will help preserve liquidity, ensure sustainable profit growth, and strengthen its reputation among members and stakeholders.

In summary, the analysis of KSP Karya Abadi's 2021–2023 performance shows that its earnings quality remains strong and well supported by operating cash flows. Although the EQ ratio decreased slightly in 2023, the cooperative still demonstrates solid financial management, consistent with global research emphasizing the importance of aligning profit with cash flow to ensure credibility, sustainability, and stakeholder trust (Aljifri & Elrazaz, 2024; Ball & Nikolaev, 2022; Dechow, 2010; Francis et al., 2021; Kang & Kim, 2019; Siladjaja & Jasman, 2024). Strengthening cash collection systems and maintaining accounting conservatism are recommended to preserve earnings integrity and financial sustainability in the coming years.

4. Conclusion

Based on the analysis of financial statements and cash flows of KSP Karya Abadi from 2021 to 2023, it can be concluded that the cooperative's overall financial performance is moving in a positive direction, despite some fluctuations in profit and earnings quality. Net income experienced a slight decline in 2022 due to possible increases in operational expenses or reduced efficiency, but a substantial recovery in 2023 indicates improved management and promising growth potential. The general trend reveals that KSP Karya Abadi continues to demonstrate financial resilience, with net profits supported by consistent operating cash flows. This finding reflects sound financial governance and effective resource utilization, aligning with the cooperative's objective of ensuring sustainable financial health.

From a liquidity perspective, the cooperative's performance is notably strong. Positive operating cash flows throughout the three-year period indicate that KSP Karya Abadi's core operations successfully generate real and recurring cash, which is a crucial foundation for maintaining stability and operational continuity. This condition also implies that the cooperative's business activities are largely self-sustaining, minimizing dependence on external borrowing or non-operational income sources. However, the slight decline in the earnings quality ratio in 2023 suggests the need for closer monitoring of receivables, improved collection efficiency, and a stronger internal control system to prevent potential liquidity risks. In this regard, continuous financial evaluation and implementation of efficiency strategies are necessary to maintain consistency in earnings and cash generation.

This study, however, is not without limitations. The analysis only covers a three-year observation period and focuses solely on one cooperative, limiting the generalizability of the findings. Future research could expand the study period to capture long-term trends and include comparative analyses among multiple cooperatives or sectors to provide a broader understanding of earnings quality dynamics. Additionally, integrating qualitative approaches—such as management interviews or member perception studies—could enrich the interpretation of financial data by exploring internal decision-making processes and behavioral factors influencing financial performance. Further research may also examine the impact of digital financial management systems and regulatory changes on cooperative earnings quality, providing more comprehensive insights for policymakers and practitioners in the cooperative sector.

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